

Talking Points for Existing Oil and Gas FIP Discussion
March 23, 2016
Meeting in SLC with Governor Herbert and Industry

Introductory remarks for Shaun:

- We appreciate all of the input provided to date on the development of a reservation specific FIP to address the AQ issue in the Uinta Basin and we are happy to listen to additional input today.
- Additionally, we are working closely with HQ on responding to the comments EPA received on the national oil and gas rules, so we are aware of the comments.
- EPA's goal and role in all of this is to work with Utah, the Tribe and other stakeholders so that we protect our air, water, land and communities while allowing for continued oil and gas production.
- Our mission at EPA is to protect the public health and environment. Recent preliminary monitoring data in the basin is showing values higher than Los Angeles has seen in recent years. We have four monitors violating the new ozone standard based on preliminary 2016 data.
- Based on operator submitted source registration data, 68% (5,169 existing minor oil and natural gas production facilities in Indian country) of all existing sources in the basin are not currently regulated, nor will they be regulated by the national oil and gas rules. Those sources are emitting 98% of VOCs in basin, which totals more than 63,000 tpy.
- For these reasons, we believe it is vital to work together to reduce emissions from oil and gas in the Uinta basin.
- Development of a Reservation specific FIP will accomplish three important goals in the Uinta Basin.
- First, the reservation-specific rule (FIP) EPA is drafting would reduce VOC emissions from existing oil and gas sources. These emissions can react in the air and form ozone.
 - It is important to take proactive steps to protect air quality in the Uinta Basin, in order to avoid a potential ozone nonattainment designation for the Basin when the EPA makes its expected decisions in late 2017, or to lessen the severity of a future, potential nonattainment classification.
 - The EPA estimates that for the Uinta Basin as a whole, the draft Reservation-specific FIP would result in an almost 40 percent reduction of VOC emissions from oil and gas facilities. This corresponds to a reduction of VOC emissions of 41,000 tons per year.

- Second, the draft FIP would be consistent with Utah's rules for existing oil and gas sources on state land and create a level playing field for industry. It would also be consistent with any requirements developed under EPA's national oil and gas rules.
- Additionally, given the current compromised air quality in the Uinta Basin, having enforceable restrictions in place to reduce emissions from existing sources will help industry demonstrate that new proposed sources will not cause or contribute to exceedances of the ozone standard, allowing us to continue to permit new sources of emissions within the U&O Reservation.

ADDITIONAL TALKING POINTS AS NEEDED:

Stakeholder input:

- We appreciate all of the input provided to date on the development of a reservation specific FIP to address the AQ issue in the Uinta Basin and we are happy to listen to additional input today.
- EPA and the Ute Tribe co-hosted a meeting on April 14, 2015 with the oil and gas industry to discuss getting emission reductions on existing and new sources on the Reservation.
- Western Energy Alliance outlined what operators are currently doing to address oil and gas emission controls on the Reservation in their June 18, 2015 letter to Chairman Chappoose.
- Additionally, several companies have met with the EPA headquarters and regional office.
- Additionally, there will be a public comment process with this rulemaking, so you will have further opportunity for input once the rule is proposed.

Air Quality:

- Preliminary monitoring data for 2016 in the Uinta Basin is showing violations of the ozone NAAQS.
- Four monitors currently have preliminary design values for 2014-2016 in violation of the standard.
- During the February 2016 inversion, we saw 8 hour ozone values in the basin (120 ppb) that were higher than any values recorded in Los Angeles in 2014 or 2015 (102 ppb, 107 ppb).
- National oil and gas rules will not address AQ issues in basin, but do give us the authority to develop an area specific rule if needed.

Uinta Basin Universe:

- 5,169 existing minor oil and natural gas production facilities in Indian country, 68% of all existing sources, are below 6 tpy, therefore not currently regulated, those sources are emitting 98% of VOCs in basin, which totals more than 63,000 tpy.

U&O FIP Overview:

- EPA is drafting a Reservation specific FIP for the U&O reservation that would reduce the VOC emissions from oil and gas sources.
- Purpose is twofold:
 - Address the degraded AQ in the basin and
 - To level the playing field in the basin with Utah's rules for existing oil and gas sources on state land.

Questions:**With new methane announcement, why not wait on reservation specific rule?**

- Timing
 - New announcement is for an ICR, not a rulemaking.
 - Now that we understand AQ issues in the basin, we need to take action to improve the AQ.
 - National oil and gas rules will not address existing AQ issues in the basin.
 - Desire to get emission reductions in the basin as soon as possible and in advance of designations process.
- New announcement focuses on methane, U&O FIP would focus on VOC, we recognize there is some co-benefit, but not enough to improve AQ in basin.

With designations on the horizon, why not wait for that process?

- Reductions in advance of designations could help lower the non-attainment classification to Marginal.
 - Marginal has reduced CAA requirements compared to higher classifications, such as Moderate.
 - For a Marginal area, an attainment plan and modeling would not be required.
 - A Marginal area would need to be back into attainment in three years (2020) or it would be re-classified as a Moderate area.
 - Implementing the FIP to get VOC reductions sooner rather than later will help to make attainment by 2020 more likely, if the Uinta Basin is designated non-attainment.
- Enforceable restrictions in place for existing sources will help industry demonstrate that new proposed sources will not cause or contribute to exceedances of the ozone standard, allowing us to continue to permit new sources of emissions within the U&O Reservation.

Why not wait for BLM flaring rules?

- Timing – rule is currently in proposal stage.
- BLM rules only apply to federal, or tribal trust surface or minerals, results in patchwork in Indian county, portions within exterior boundary would not be included.
- EPA and BLM working closely together to ensure no contradictions in rules.
- EPA and BLM rules will be non-duplicative.

Concerns regarding NA gap in the national rules?

- We are aware of the concern as discussed in the comments received on the national rules.
- We are working closely with HQ to address this concern.

Will the national rules or the reservation specific FIP allow for synthetic minors?

- We are aware of the concern as discussed in the comments received on the national rules.
- We are working closely with HQ to address this concern.

Tribal Resolution concerns:

- Continued development, no delays – FIP allows for this
- Streamlined permitting approach – we welcome streamlining too, FIP does this
- Cover transition from attainment/unclassifiable to nonattainment – aware of concern and working closely with HQ to address.
- Consistent with surrounding jurisdictions – FIP is consistent with UDAQ requirements in basin.
- Cover new sources and certain targeted existing sources directly contributing to AQ degradation, low cost to operators –
- Will the national FIP, cover synthetic minor sources, minor modifications at major sources and modifications at synthetic minor sources -